

WASHINGTON. D.C. – House Committee on Oversight and Government Reform Ranking Member Darrell Issa (R-CA) sent letters to former Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke to clarify conflicting statements regarding their knowledge of \$3.6 billion in bonus payments to Merrill Lynch employees.

“The Securities Exchange Commission (SEC) revealed in a brief in ongoing litigation with Bank of American in U.S District Court for the Southern District of New York that the Federal Reserve and the Department of Treasury were in fact informed about the bonuses as early as December 17, 2008,” Issa wrote. “It is now apparent that you knew, or at least should have known, about the bonus payments to Merrill Lynch employees no later than December 18, 2008 – before the bonuses were paid, before the merger was finalized, and before you gave the combined company an additional \$20 billion of taxpayers’ money.”

When Secretary Paulson testified before the Committee, he was asked directly if he was “aware of the Merrill Lynch three-plus billion dollars’ worth of bonuses they were about to give out when this deal came down.” His response: “No, I wasn’t.”

In a written statement, Chairman Bernanke indicated that the Federal Reserve was not involved in discussions about the bonus payments: “Beginning on December 17, 2008, we participated in several discussions with management of Bank of America about its plans to acquire Merrill Lynch...The discussion did not encompass compensation levels or bonuses of Merrill Lynch employees.”

“While the appropriate regulatory agencies and courts still need to determine if Bank of America inappropriately withheld information about bonus payments from its shareholders, we know that the company certainly wasn’t hiding the information from the federal government,” wrote Issa. “If you felt that the bonuses were unfair or problematic, you could have at the very least raised additional questions or formally objected before you gave the company an additional \$20 billion of taxpayer money.”

From the SEC Brief: “The Department of Treasury invested an additional \$20 billion in Bank of America in January 2009 pursuant to the Targeted Investment Program (TIP)...The TIP investment was made following discussions [Ken] Lewis and Joe Price, Bank of America’s Chief Financial Officer, held in mid-December 2008 with senior officials from the Federal Reserve and Department of Treasury concerning Merrill’s losses in the fourth quarter of 2008. According to Bank of America, during those discussions Bank of America provided the Federal Reserve and Treasury officials with a Merrill financial document that included the expected VICP [bonus] expense of \$3.373 billion for 2008 as a separate line item.”

[Click here to view Issa’s Letter to Chairman Bernanke.](#)

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